

Department for Medicaid Services
General Policies and Guidelines

Hospitals

- (2) Disproportionate share hospitals shall be divided into two (2) types.

Type I disproportionate share hospitals shall be those hospitals participating in the Kentucky Hospital Indigent Care Assurance Program (HICAP).

Type II disproportionate share hospitals shall be all other disproportionate share hospitals.

Type I disproportionate share hospitals shall be entitled to disproportionate share hospital payments as described in item #A, below. All Type II disproportionate share hospitals shall be entitled to disproportionate share hospital payments as described in item #C, below.

- A. Effective March 1, 1991 each Type I disproportionate share hospital shall be paid (on a monthly basis) an amount which shall be not less than 13.75 percent of the hospital's monthly operating cost. This payment amount shall be adjusted, as appropriate, by the addition of an earned payment amount determined as follows: each hospital's Medicaid patient days shall be compared to total Medicaid patient days with the resulting

ratio applied to total available HICAP funds; the earned adjustment payment amount, if any, is the amount by which the product of this computation is in excess of 13.75 percent of the hospital's monthly operating cost (but does not exceed upper limits specified in Section 102D). Effective April 1, 1991 each Type I disproportionate share hospital shall be paid (on a quarterly basis) an amount which shall be not less than 5.25 percent of the hospital's quarterly operating cost (if computed on an annual basis, 5.25 percent of the hospital's annual operating cost). This payment amount shall be adjusted, as appropriate, by the addition of an earned payment amount determined as follows: each hospital's Medicaid patient days shall be compared to total Medicaid patient days with the resulting ratio applied to total available HICAP funds; the earned adjustment payment amount, if any, is the amount by which the product of this computation is in excess of 5.25 percent of the hospital's operating cost (but does not exceed upper limits specified in Section 102D). (See Section 102D for rate computation.)

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- B. Effective with regard to medically necessary hospital inpatient services provided by all Kentucky disproportionate share hospitals on or after July 1, 1991 to infants under the age of six (6) with exceptionally high costs or long lengths of stay (defined as being those costs and days of stay which for newborns are after thirty (30) days beyond the date of discharge for the mother of the child and for all other infants are after thirty (30) days from the date of admission), the payment rate shall be set at 110 percent of the per diem payment rate, without regard to length of stay or number of admissions of the infants.
- C. The minimum disproportionate share hospital payment amount for Type II disproportionate share hospitals shall be equal to one (1) dollar as an addition to the hospital per diem payment rate computed using-usual upper limits; and for hospitals with Medicaid utilization in excess of one (1) standard deviation above the mean Medicaid inpatient utilization rate for hospitals receiving Medicaid payments in the state, a further payment adjustment to the per diem rate which is equal to ten (10) cents for each one (1) percent of Medicaid utilization in the hospital which is in excess of utilization at the one (1) standard deviation level.

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(c) Frequency of Review

Classification of disproportionate share hospitals shall be made prospectively prior to the beginning of each universal rate year. Classification, once determined by the Department, shall not be revised for that rate year.

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102B. PAYMENT FOR CHILDREN WITH EXCEPTIONALLY LONG LENGTHS
OF STAY IN DISPROPORTIONATE SHARE HOSPITALS

For stays in disproportionate share hospitals prior to July 1, 1991, the allowable length of stay (assuming medical necessity) for children under age one (1) shall not be limited. After thirty (30) days from the date of admission (thirty (30) days from the date of the mother's discharge in the case of newborns), the facility shall be paid a per diem equal to 110% of their normal per diem. During the initial thirty (30) days the facility shall be paid its normal per diem. The payment rate shall be based on the facility's prospective rate in effect for the period billed. For children under age one (1), billings shall be prepared as of the end of each month.

For stays in disproportionate share hospitals on or after July 1, 1991, the rules in effect regarding length of stay and per diems for children under age six (6) shall be the same as those in effect for under age one (1) prior to July 1, 1991. These same rules shall apply to payments for children under age one regardless of whether they are in a disproportionate share hospital.

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102C. DISPROPORTIONATE SHARE HOSPITAL PAYMENTS

Disproportionate share hospital payments shall include two components. There shall be a "base" amount and an "earned" amount.

Only those in-state hospitals which have uncompensated indigent care costs which have not been shifted to other payors shall be eligible for an "earned" amount. The uncompensated, unshifted indigent care cost is the lesser of the facility's modified net hospital loss (expressed as a positive number) or the uncompensated indigent cost.

The modified net hospital income or loss is determined by subtracting modified hospital expense from modified hospital revenue. The modified hospital revenue is determined by starting with gross hospital patient revenue (Total Gross Patient revenue from Worksheet G-2 of the Medicare 2552) less non-hospital revenue on worksheet G-2 subtracting modified contractual allowances (contractual allowances from Worksheet G-3 of the Medicare 2552 times the ratio of gross hospital patient revenue to total patient revenue for the entity from Worksheet G-2 of the Medicare 2552) subtracting any Hospital Indigent Care Assurance Program Payments which relate to the hospital's fiscal year, adding an estimated amount for increased

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Medicaid payments due to a rate adjustment for the provider tax (gross Hospital Revenue, less the modified contractual allowance, less HICAP payments, with the results multiplied times 2.5%). In rate settings subsequent to July 1, 1993 the adjustment for the 2.5% provider tax shall be made on a pro rata basis, based on the number of months in the cost report utilized which were prior to the imposition of the 2.5% provider tax.

The Department shall adjust the modified hospital revenue to take into account any changes in Medicaid reimbursement.

Modified hospital expense is arrived at by starting with Hospital expense (Worksheet A, Column 5, Line 101 of the 2552 less all non-hospital expenses on Worksheet A) and subtracting the HICAP tax for the facility's Fiscal Year and adding an estimated amount for the new tax by multiplying modified hospital revenue by 2.5%. In rate settings subsequent to July 1, 1993 the adjustment for the 2.5% provider tax shall be made on a pro rata basis, based on the number of months in the cost report utilized which were prior to the imposition of the 2.5% provider tax.

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The modified hospital income or loss shall be computed utilizing the latest cost report available as of the cut-off for the January 1 rate setting on December 15. For purposes of the July 1, 1993 rate setting, the facility's cost report for the Fiscal Year ending in 1992 shall be utilized in the determination of the modified hospital income or loss.

Uncompensated indigent care cost shall be computed by multiplying 140% of the Medicaid rate (40% above Medicaid rate is an allowance for outpatient care) times the total number of indigent days (unpaid Medicaid days plus unpaid days for non-Medicaid patients from households at or below 100% of the Federal Poverty rate).

The uncompensated indigent care cost shall be compared with modified net hospital loss (expressed as a positive number); the lesser of these numbers is the uncompensated, unshifted indigent care cost. This cost shall be divided by the number of indigent days to arrive at the "earned" amount for each indigent day.

In addition to the "earned" amounts, each disproportionate share hospital shall be entitled to a "Base" amount for each paid Medicaid day determined by facility type and \$10 for each indigent day.

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Type I hospitals shall be those in-state acute care hospitals serving a federally designated medically underserved area, a federally designated health manpower shortage area, or a primary care physician shortage area designated under the rural Kentucky Medical Scholarship fund which has fifty (50) beds or less. The Medicaid "base" amount for Type I hospitals shall be ninety-five (95) dollars per Medicaid day.

Type II hospitals shall be the same as Type I except Type II shall have fifty-one (51) to 100 beds and shall have a "base" amount of seventy (70) dollars per Medicaid day.

Type III hospitals shall be the same as Type I except Type III shall have 101 to 200 beds and include rehabilitation hospitals and shall have a "base" amount of fifty-five (55) dollars per Medicaid day.

Type IV hospitals shall be the same as Type I except Type IV hospitals shall have 201 or more beds and include rehabilitation hospitals and shall have a "base" amount of forty-five (45) dollars per Medicaid day.

Type V hospitals shall include all in-state acute care hospitals with less than 101 beds which are not Type I or

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II hospitals. Type V hospitals shall have a "base" amount of forty-five (45) dollars per Medicaid day.

Type VI hospitals shall include all in-state acute care and rehabilitation hospitals with 101 to 200 beds except those which are Type III. Type VI hospitals shall have a "base" amount of thirty-five (35) dollars per Medicaid day.

Type VII hospitals shall be described in the same manner as Type I hospitals, except the type shall be limited to rehabilitation hospitals. Type VII hospitals shall have a "base" amount of ninety-five (95) dollars per Medicaid day.

Type VIII hospitals shall be described in the same manner as Type II hospitals, except the type shall be limited to rehabilitation hospitals. Type VIII hospitals shall have a "base" amount of seventy (70) dollars per Medicaid day.

Type IX are all rehabilitation hospitals with 100 beds and under except those described as Type VII or VIII. Type IX hospitals shall have a "base" amount of forty-five (45) dollars per Medicaid day.

Type X hospitals shall include all other in-state hospitals including psychiatric hospitals. Type X hospitals shall have a "base" amount of ten (10) dollars per Medicaid day.